

North America
United StatesPeriodical
DB Today - US**Tuesday 13th January 2015****Today's Morning Meeting Agenda:**[Ameriprise Financial](#) - Initiating with a Buy[Oil & Gas Exploration & Production - DJ Basin](#) - Spinning Bits. Making Hits.[Airlines](#) - Positioning for 2015 - When will stocks discount record forecasts?[Hexcel Corporation](#) - Investor Day Wrap-up; '14/'15 as expected but cash upside through '19**Additional Companies Mentioned:**[CHEF](#), [BGFV](#), [Hardline Retail](#), [ALLY](#), [BAX](#), [PCYC](#), [AA](#), [DB Paper & Packaging](#), [CNV](#), [PC industry](#)**Initiations:** [AMP](#) (Buy), [BCEI](#), [PDCE](#) (Hold)**Rating Change:** [ALK](#) (Sell to Hold)**TODAY'S HIGHLIGHTS****Ameriprise Financial (AMP.N), Buy Price Target USD143**

[Yaron Kinar](#): Initiate with Buy, tgt USD143. Our Buy recommendation is predicated on further re-rating and earnings growth from continued productivity and utilization improvements in wealth advisory, which is currently in-line with peer average. This improvement should continue to support strong capital deployment, with over 100% of earnings deployed through buybacks and dividends. Finally, benchmarked to life insurers, AMP is better positioned to weather a weak 10Y environment and is uniquely positioned to benefit from a Fed rate hike later this year. We initiate with above-Consensus EPS estimates of \$9.65 and \$11.35 for '15-'16. [Last Close USD126.38. Details on page 09](#)

Oil & Gas Exploration & Production - DJ Basin

[Josh Silverstein](#): Initiations: [Bonanza Creek Energy](#). – Hold, tgt USD30, [PDC Energy](#) – Hold, tgt USD52.. While a "Big 3" (Permian, Eagle Ford, Bakken) can get you to the NBA Finals, you can't win the title without a strong supporting cast and for US oil supply, the DJ Basin is playing the role of the up and coming star. While we see basin challenges (infrastructure), in our view, the DJ is relatively advantaged on the cost curve. We see producers in the basin supported by strong hedge positions, competitive and improving well economics, and upcoming catalysts to increase the resource base, a key differentiator in a lower commodity environment. Additionally, with a fragmented but resource rich basin, we see industry consolidation as a potential outcome. [Details on page 10](#)

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GLOBAL MARKET WRAP

INDEX	Close	1D	YTD
		% Chg	% Chg
S&P 500	2028.26	-0.8	-1.5
NASDAQ	4664.71	-0.8	-1.5
DOW	17640.84	-0.5	-1.0
FTSE 100 INDEX	6525.63	0.4	-0.6
HANG SENG INDEX	24215.97	0.8	2.6
NIKKEI 225	17087.71	-0.6	-2.1
BRAZIL BOVESPA	48139.74	-1.4	-3.7
RTS-2 INDEX	581.29	-3.1	-12.2

SECTOR WRAP**Best Sectors**

Computer & Electronics	3.2%
Gold	2.3%
Healthcare REIT's	1.4%

Worst Sectors

Distributors	-3.8%
Speciality Stores	-4.1%
Healthcare Facilities	-6.9%

COMMODITIES	Close	1D	YTD
		% Chg	% Chg
West Texas	46.07	-4.7	-13.5
Brent	45.46	-2.2	-18.5
CRB	220.83	-2.1	-4.0
Copper	269.10	-1.3	-4.8
Gold (Spot)	1240.60	0.6	4.7
Alum. (LME)	1810.00	0.0	-2.3
Baltic Dry	723.00	2.0	-7.5
FOREX (vs US\$)	Close	1D	YTD
		% Chg	% Chg
HK\$	7.75	0.0	0.0
EUR	1.18	-0.1	-2.3
JPY	118.28	0.1	1.3
GBP	1.51	-0.3	-2.9

Source: Bloomberg Finance LP

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TODAY'S HIGHLIGHTS

Airlines - Positioning for 2015

Michael Linenberg: Recommendation & Target price Change: Alaska Air Group, Inc. - Sell to Hold, tgt USD53 to USD65. We are projecting a 47% increase in industry pretax profit to \$20.7 billion for 2015. While our forecast calls for a modest 2% increase in top-line, roughly 80% of the earnings gain is driven by lower fuel prices. As fuel prices plummeted and earnings forecasts were revised higher, airline multiples have contracted as investors are less willing to pay for cost-reduction earnings growth. How to engage investors? Airline management need to reiterate their financial objectives: capacity/CAPEX discipline and margin/ROIC-focus while expressing a willingness to share "windfall" profits with stakeholders. [Details on page 11](#)

Hexcel Corporation (HXL.N), Buy, Price Target USD48.00

Myles Walton: Management swung open the gates at their Salt Lake City composite facility in an effort to bring investors into the fold on how the investments the company has been making in capex are coming along. The tour was impressive in both what has been done and what the company still plans to accomplish (company will double both its fiber and prepreg capacity by 2020). The company's operating leverage target was also nicely raised from 23% to 25% over the next 5 years, which helps the company drive a mid-teens EPS CAGR on organic growth and cash generation without making a dent on the balance sheet. Maintain Buy given upside to PT. Last Close: USD40.38. [Details on page 12](#)

ADDITIONAL RESEARCH

ECONOMICS

US Daily Economic Notes Commentary for today: The November Job Openings and Labor Turnover Survey (JOLTS) is released this morning. The data are closely followed by Chair Yellen and are based off of the same sample used to derive nonfarm payrolls. Since the labor market has continued to improve and November payrolls rose a whopping 353k, further improvement in the various JOLTS series is likely. There are three main series within JOLTS, which dates back to December 2000. They are the rate of job openings, job hirings and separations. Additionally, within the separations component, there are three individual subcategories. They are layoffs, quits and "other" separations. In essence, there are five JOLTS series we need to track, because the "other" separations series is non-cyclical.

CONSUMER

Chefs' Warehouse (CHEF.OO), USD21.4 Hold
Price Target USD21

Tgt USD17 to USD21. CHEF Significantly Expands West Coast Protein Business. CHEF announced that it has reached an agreement to acquire Del Monte Meat Co. for ~\$191.2M, or about 0.90x sales, which is at the higher-end of the range of recent deals (0.4x-1.1x; avg is 0.6x). No EV/EBITDA multiple was disclosed, but mgmt noted that they paid a premium to the normal 6-8x range. CHEF will fund the acquisition with 1) \$127.5M of cash; 2) 1.2M CHEF shares (at \$22/shr); and 3) \$38.3M in convertible subordinated notes. Also, CHEF will pay additional contingent consideration, which is expected to total ~\$25.5M, subject to certain conditions and upon achievement of EBITDA targets over the six years following the closing of the transaction. The Del Monte acquisition is consistent with CHEF's strategy to build out its center-of-the-plate (COP) capabilities, which helps drive much greater penetration. Note that in OH/NY, customers who buy COP spend 3x as much on specialty items as other customers. Thus, the Del Monte offering should provide CHEF with a solid platform for growth, particularly in the attractive San Fran market.

Big 5 Sporting Goods (BGFV.OO), USD12.97 Hold
Price Target USD10

BGFV pre-announces 4Q14 EPS of \$0.14 - \$0.16. Today after market close BGFV pre-announced 4Q14 earnings to the lower end of its previously guided range. The company now expects 4Q14 EPS of \$0.14 - \$0.16, including \$0.01 of non-cash restructuring charges vs its previously guided range of \$0.14 - \$0.22. The main catalyst is lower than expected same-store sales, which finished the quarter down 0.5% vs guidance of positive low single digit same store sales. Following positive low single digit comps in October and November, comps moved into the negative low single digit range for December. We are now looking for operating margins down 100 bps y/y in 4Q14, equally split between GM declines on both lower y/y merch margins and de-leverage of occupancy. We believe negative comps drove labor de-leverage in the SG&A line as well.

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CONSUMER

Hardline Retail

Overall thoughts. We attended CES and came away pleased with the focus manufacturers showed at making technology work more personally for the consumer. This was most noticeable in the wearables category. From its infancy of step counters and heart rate monitors, the wearables category is evolving to more discrete and specific uses and into more and more consumer products. TVs continue their move upscale, with even newer, "better" models of UHD available – but the biggest takeaway in our view is the UHD Alliance that was announced at CES. Internet of Things (IoT) remains in its early stages, with wearables as potentially the key to unlocking this technology.

FINANCIALS

Ally Financial
 (ALLY.N), USD22.57 Buy
 Price Target USD26

Losing GM subsidized lease volumes is a negative, but many offsets over time. GM Financial (GM's captive) will reportedly become the exclusive provider of subsidized leases for Buick and GMC (and eventually Cadillac) starting in 1Q15. While we had expected more prime competition from GM Financial in 2015 (incl. expanding lease), this new program seems a bit surprising given it reduces incentivized lease options for both dealers/consumers at a time when auto sales are slowing. The bottom line: we estimate a \$0.06 net EPS drag in 2015 (assuming the loss of Buick, GMC, and Cadillac lease subvention starts in 1Q15), and \$0.09 net EPS drag in 2016 (assuming the loss of Chevrolet in 2H15). However, ROE expansion still on track and valuation is attractive. BUY.

HEALTHCARE

Baxter International
 (BAX.N), USD72.72 Hold
 Price Target USD66

Save the date for May investor meetings; 2015 has a number of headwinds. On Monday post-market close, Baxter management provided several updates at an investor presentation.

- Reaffirmed the mid-year spin-off of its biopharma business, Baxalta.
- BAX will host investor meetings on May 18 (PM) and 19 (AM) to review the prospects for Baxter and Baxalta (the biopharma spin-off), respectively.
- BAX reports 4Q14 results on Jan 29. Mgmt highlighted a number of headwinds in 2015 including generic cyclo, FX, pension expense, and some additional costs to support medical products due to regulatory challenges (a 1H15 impact). It noted 1Q was going to be a challenge in particular and it plans to give EPS guidance for 1Q along with 4Q results.

Pharmacyclics
 (PCYC.OQ), USD123.71
 Buy Price Target USD180

FY14 prelim Imbruvica US sales at \$492M vs. \$462M consensus; we modeled sales at \$474M. Upside potential despite flattening IMS wkly scripts. We see upside as recently IMS scripts have been flat (From 12/5 through the end of the year average wkly NRX was 386; average wkly TRX was 1167). We note the co sees 4Q sales at \$185M (vs. \$167M consensus). IMS suggests 4Q sales of \$171-174 and FY at \$469-470M (using 4Q/3Q script growth).

INDUSTRIALS

Alcoa (AA.N), USD16.17
 Buy Price Target USD20

Alcoa's adjusted diluted EPS of \$0.33 was 1c above DBe of \$0.32 and 6c above Thomson One consensus of \$0.27 due to better-than-expected Alumina segment performance. Headline net income of \$159m (11c/sh) was impacted by \$200m (17c/sh) in restructuring charges, tax items (\$53m, 4c/sh) and acquisition related charges of \$22m (2c/sh). Re-it Buy.

DB Paper & Packaging

Alcoa read-thru to bevcans – no significant change to outlook for pkg demand. Alcoa, one of the largest global aluminum producers, reported its Q4 earnings results after market close today. The company's outlook for global aluminum packaging demand growth for 2015 remained the same at +2 to 3% y/y. The outlook for each region remained the same vs. Alcoa's 3Q presentation. On a regional basis, management sees NA declining 1 to 2% y/y, while Europe and China are expected to grow 2 to 3% and 8 to 12% y/y, respectively. An estimated 80 to 90% of Alcoa's packaging segment is represented by bevcans.

TECHNOLOGY/MEDIA/TELECOM

Cnova
 (CNV.OQ), USD8.30 Hold
 Price Target USD8.50

The Key Take-Away. Cnova provided a preliminary update on 4Q14 with GMV and net revenue metrics today, posting 29% GMV growth (EUR 1,472m) and 20% revenue growth (EUR 1,099m). 4Q results were mostly in-line with DB estimates in France, and Brazil GMV was 7% better. Given that 4Q14 is the first quarter for Cnova as a public company since its IPO in mid-November, the results are largely in-line as expected and encouraging. The company will provide key profit KPI's (GP, EBITDA and EPS) when it reports full financials in Feb.

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TECHNOLOGY/MEDIA/TELECOM

PC industry

What happened?. This afternoon, IDC released its preliminary PC data estimating that PC shipments totaled 80.8M units in C4Q-14, a decline of 2.4% Y/Y. Results were better than IDC's expectation of down 4.8%. Once again, developed markets including the US and parts of Europe, remained stronger than other markets but growth slowed on a Y/Y basis while emerging market saw a slight increase in volume. IDC highlighted that while commercial demand for PC's has slowed, consumer demand is improving driven by products like Chromebooks, all-in-ones, Windows 8 with Bing, ultraslim, convertibles and touch screens. However, IDC remains cautious on the strength of demand in 2015 as recent gains have been relatively small and XP support transitions are expected to wane.

Detailed US Research: for further details, please view full research reports which can be found on our DB Research website. <http://gm.db.com/equities>



GLOBAL RESEARCH

UBS and Credit Suisse

Matt Spick: Q4 will be slow, will downgrades be the big theme for 2015?. We have a long shopping list of concerns for European banks heading into 2015: NIM disappointment, sluggish economic growth, the effectiveness (or not) of QE, and additional costs from the DGS / SRF. Swiss banks look better placed, given the strengthening in the USD versus the CHF and volume growth in Wealth Management via inflows. UBS is our top pick (rated BUY, target price CHF 21) and we expect the bank to return to meaningful dividend distribution with its FY results.

Companies	Currency	Rating	Closing Price	Target Price		Upside to tgt (%)	Mkt Cap	Reuters Code
				Old	New			
Credit Suisse Group	CHF	Buy	23.50	29.00	27.00	15%	38bn	CSGN.VX
UBS	CHF	Buy	16.67	21.00	-	26%	65bn	UBSG.VX

Source: Deutsche Bank

UK Mortgage Market Outlook 2015

Jason Napier: Bad news sells but underlying data remains supportive. Festive period newspapers were full of headlines highlighting recent slowing in annual house price momentum and mortgage approval volumes. We provide a run-through of current property market indicators to consider whether our fairly constructive mortgage market stance remains justified. We come away convinced that a near term slowdown in volumes is likely but that the UK mortgage market will deliver 2-4% annual volume growth over the coming five years, including in 2015. We also found surprisingly strong de-risking of household finances and growing potential for meaningful upside to consumer spending power from mortgage refi. Barclays and LBG are our top picks

Adidas AG
 (ADSGn.DE),EUR56.59
 Sell Price Target
 EUR51.00

Adrian Rott: **Tgt E57 to E51.** Less contrarian than before but risk from RU still underappreciated; TP to E51. We haven't been counting on a Russia comeback for Adidas in 2015, but the Ruble tumbling lower since Dec brings another 8-10% cut to our numbers. We present a DBe Russia P&L (not disclosed by co.) and explain why we do not expect a positive FY15 profit contribution from Russia anymore. All-in we're again >5% below consensus; TP moves to E51. Upward catalysts are binary in nature (activism is one) while fundamentals remain challenged well into 2015 in our view. Being cautious on the name is less contrarian than it used to be in Q3s in Nov, but with significant risks from Russia looming (scenario analysis within) and no other area of positive surprise, we stick to Sell

Allianz
 (ALVG.DE),EUR136.60
 Buy Price Target
 EUR160.00

Hadley Cohen: Always room for improvement - reiterate Buy, SOTP-derived TP EUR160. Allianz is widely regarded as one of the highest quality global insurance franchises, and rightly so in our view. However, there is always room for improvement, particularly in free capital generation, which we estimate stands at <70% of IFRS earnings for '15e-'16e versus Euro large cap peers on 80%+. The life division is the biggest culprit for this lower level, and improving this could be a focus for incoming CEO, Oliver Baete. We therefore look at where the opportunities lie by considering both new business strain and in-force generation, relative to peers, by geography

Tencent
 (0700.HK),HKD127.10
 Buy Price Target
 HKD156.00

Alan Hellawell III: **Tgt HKD155.50 to HKD156.00.** Peeking into the mobile ad playbooks of others. Reiterate Buy. We are very encouraged by recent discussions with brand owners and agencies around the progress of Tencent's mobile ad initiatives on Weixin. We believe a number of luxury brands have been invited to test new formats on the Moments tab through Chinese New Year. As the opportunity becomes more real, we look at the precedent of other mobile platforms in our attempt to model the Weixin Moments opp. We expect the market to re-evaluate Tencent's long-term Weixin/mobile QQ monetization prospects beyond games

Property - The Realty
 Singapore

Joy Wang: **Initiation - Keppel DC REIT , tgt SGD1.02..** The trust is in its initial growth phase and should comfortably deliver a total return of 11%, one of the highest in our coverage universe. The long-awaited launch of Marine Blue has finally taken place; 31 units were sold during its preview over the weekend. We believe the S\$1,800psf to S\$2,000psf pricing is quite aggressive under the current environment and might result in a slower selling pace. In the news, GLP leases additional space, SPH kicks off the results season and MCT signs a new loan facility.

Fixed Income Macro Strategy

Jim Reid: The trend lower in crude is indeed continuing as yesterday saw fresh cycle lows again with Brent now following WTI below \$50 for the first time since April 2009. Indeed both WTI (-4.74%) and Brent (-5.35%) closed the day at \$46.07/bbl and \$47.43/bbl – hitting fresh five and a half year lows (and have declined some 1.5%-2% further this morning). Downgraded 2015 broker forecasts appear to be the reason for yesterday's move with the result an all-too-similar sharp sell off for energy stocks. Yesterdays -0.81% close for the S&P 500 was not helped by a 2.80% decline in the energy sector. Credit markets also weakened with IG23 1.7bps wider on the day. US HY energy stocks fared little better with spreads closing 20bps wider whilst at the US's second largest oil producer, the latest count of the North Dakota oil rigs showed the number of operating rigs falling to the lowest level since November 2010.

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DB Today - US

**DAILY REVISIONS**

Ticker	Company	Analyst Name	Sector	Change	New	Previous	% Chg	
CONSUMER								
CHEF.OQ	Chefs' Warehouse (Hold, \$21.40)	Karen Short	Food & Staples Retailing	Target Price	▲	21	17	23.5
				EPS 2014 Q4	▼	0.22	0.24	-4.7
				EPS 2014 FY	▼	0.61	0.62	-1.8
				EPS 2015 FY	▼	0.75	0.76	-2.3
BGFV.OQ	Big 5 Sporting Goods (Hold, \$12.97)	Michael Baker, CFA	Specialty Retail	EPS 2014 Q4	▼	0.16	0.21	-23.8
				EPS 2014 FY	▼	0.73	0.78	-6.5
FINANCIALS								
AMP.N	Ameriprise Financial (Buy, \$126.38)	Yaron Kinar	Insurance	Initiation	▲	Buy	NR	-
				Target Price	▲	143	0	-
ALLY.N	Ally Financial (Buy, \$22.57)	David Ho	Consumer Finance	EPS 2014 Q4	▼	0.39	0.4	-1.1
				EPS 2015 FY	▼	2.16	2.22	-2.6
INDUSTRIALS								
BCEI.N	Bonanza Creek Energy	Josh Silverstein	Oil & Gas Exploration & Production	Initiation	▲	Hold	NR	-
				Target Price	▲	30	0	-
PDCE.OQ	PDC Energy	Josh Silverstein	Oil & Gas Exploration & Production	Initiation	▲	Hold	NR	-
				Target Price	▲	52	0	-
ALK.N	Alaska Air Group, Inc. (Hold, \$60.61)	Michael Linenberg	Airlines	Recommendation	▲	Hold	Sell	-
				Target Price	▲	65	53	22.6
				EPS 2014 Q4	▲	0.92	0.82	12.7
				EPS 2014 FY	▲	4.15	4.05	2.5
				EPS 2015 FY	▲	5	4.7	6.3
AA.N	Alcoa (Buy, \$16.17)	Jorge Beristain	Metals & Mining	EPS 2015 Q1	▼	0.31	0.33	-5.2
				EPS 2015 FY	▲	1.44	1.37	4.9
				EPS 2016 FY	▲	1.57	1.48	6.5
ALGT.OQ	Allegiant Travel Co. (Buy, \$154.36)	Michael Linenberg	Airlines	EPS 2014 FY	▲	6.22	6.15	1
SKYW.OQ	SkyWest, Inc. (Hold, \$12.40)	Michael Linenberg	Airlines	EPS 2015 FY	▲	0.8	0.75	6.2
LUV.N	Southwest Airlines Co. (Buy, \$40.25)	Michael Linenberg	Airlines	EPS 2014 FY	▲	1.92	1.9	0.7

Source: Deutsche Bank



US MACRO FORECASTS

	2014				2015	
	Q1	Q2	Q3F	Q4F	Q1F	Q2F
Real GDP (% q/q)	-2.1	4.6	3.9	3.2	3.1	3.3
Core CPI (%y/y)	1.6	1.9	1.8	2.3	1.8	1.9
Unemployment rate	6.7	6.2	6.1	4.7	5.6	5.4
Fed Funds	0.09	0.09	0.09	1.0	0.13	0.50

S&P 500 EPS Forecasts & Targets

	S&P 500 Forecasts	P/E Multiple	S&P Target
2014E	\$117.50	17.7x	2000-2050
2015E	\$123	16.9x	2150
2016E	\$132	15.7x	2300
Joseph A. LaVorgna	Chief US Economist	(+1) 212 250-7329	
David Bianco	US Equity Strategist	(+1) 212 250-8169	

Source: Deutsche Bank * *Compiled by DB US Economics team; may differ from official 10Yr yield forecasts from DB Fixed Income Strategy

TODAY'S MARKET DATA ITEMS

Time (ET)	Item	Forecast	Consensus
9:00 am	NFIB small bus optimism (Dec):	99.0	98.5
10:00 am	November JOLTS data are released		

Source: Deutsche Bank, Bloomberg Finance LP

TODAY'S COMPANY MEETINGS AND INVESTOR FIELD TRIP

Company Meetings	
Pershing Square Holding	London
REGULUS THERAPEUTICS INC	San Francisco
RETROPHIN INC	San Francisco
Investor Field Trips	
Silicon Valley Bus Tour	San Francisco

TODAY'S CONFERENCE CALL

Date	Time	Event	Dial - in
Tuesday January 13, 2015	11:00am ET	Banks 4Q14 Preview Hosted by Matt O'Connor	US: + 1 877-660-0990 Conf Id: 61314872

UPCOMING CONFERENCE CALL

Date	Time	Event	Dial - in
Wednesday January 14, 2015	10AM ET	US Presidential Election Preview – Who are the candidates and what are the key topics? Hosted by: Frank Kelly, Global Coordinator, Public Affairs & Head of Government & Public Affairs – North America & Latin America Torsten Slok, Chief International Economist	US: (800) 309-8606 UK: 08000 288 438 Intl: (706) 679-0645 Conf ID: 65736075

CORPORATE ACCESS

UPCOMING CONFERENCES/TRIPS

Date	Conferences
January 14, 2015	2015 Global Auto Industry Conference @ Detroit
January 14-16, 2015	dbAccess China Conference 2015 @ Beijing
January 15, 2015	dbAccess Small and Mid Cap Best Ideas Day@ London
January 15-16, 2015	dbAccess Taiwan Conference 2015 @ Taipei

Source: Deutsche Bank For more details log on to www.conferences.db.com

13 January 2015

DB Today - US



DB DAILY - DB covered stocks only (12th January 2015)

Yesterday's Top 15 Gainers				Yesterday's Top 15 Losers					
Company Name	Mkt Cap (USDm)	12-Jan Close	Price % Chg	Company Name	Mkt Cap (USDm)	12-Jan Close	Price % Chg		
Frontline Ltd. (FRO.N)	395.0	4.63	17.5	Arrowhead Research (ARWR.OQ)	320.4	6.90	(23.8)		
Silver Standard (SSO.TO)	514.5	7.51	9.8	Sarepta (SRPT.OQ)	468.7	11.91	(14.6)		
Norcraft (NCFT.N)	369.1	21.32	9.4	Tiffany & Co. (TIF.N)	11,449.7	89.01	(14.0)		
Cliffs (CLF.N)	1,228.4	7.70	7.7	AK Steel (AKS.N)	688.4	4.65	(13.9)		
Roadrunner Transportation (RRTS.N)	905.2	23.90	7.0	SanDisk (SNDK.OQ)	18,652.6	83.57	(13.9)		
Teekay Tankers Ltd. (TNK.N)	560.9	6.71	6.8	Oasis Petroleum (OAS.N)	1,329.5	13.36	(12.9)		
RadNet Inc. (RDNT.OQ)	375.0	8.85	6.4	Basic Energy Services Inc (BAS.N)	221.5	5.44	(10.8)		
FireEye (FEYE.OQ)	4,949.9	35.29	4.8	Hercules Offshore (HERO.OQ)	121.8	0.76	(9.3)		
Coeur (CDE.N)	624.6	6.10	4.5	Tenet Healthcare (THC.N)	4,687.4	47.00	(9.0)		
Neurocrine (NBIX.OQ)	2,198.8	29.51	4.3	On Deck Capital, Inc. (ONDK.N)	4,677.6	20.65	(9.0)		
Isle of Capri (ISLE.OQ)	403.1	10.10	4.2	Pierson (RYI.N)	187.5	7.40	(8.9)		
Pan American Silver (PAAS.OQ)	1,641.7	10.70	4.2	SM Energy (SMN)	2,194.8	32.65	(8.7)		
CyberArk (CYBR.OQ)	1,138.3	38.37	3.5	Thompson Creek (TC.N)	316.6	1.48	(8.6)		
Goldcorp (GG.N)	17,450.6	21.46	3.4	McDermott International (MDR.N)	624.1	2.63	(7.7)		
Orbitz Worldwide, Inc. (OWW.N)	1,036.2	9.10	3.3	Pioneer Energy Services (PES.N)	289.0	4.58	(7.7)		
Yesterday's Top 15 Volume Increases (%) Above 10-Day Average									
Company Name	Mkt Cap (USDm)	12-Jan Close	Price % Chg	10-Day Average		Daily Volume	Volume % Chg		
Albemarle (ALB.N)	4,725.6	59.70	1.2	0.721		3,378	368.4		
Tiffany & Co. (TIF.N)	11,449.7	89.01	(14.0)	0.401		1,539	283.6		
Avanir Pharmaceuticals (AVNR.OQ)	486.7	16.96	0.0	1.333		4,977	273.3		
SanDisk (SNDK.OQ)	18,652.6	83.57	(13.9)	1.941		6,896	255.3		
Motorola Solutions (MSI.N)	15,927.0	64.35	(1.2)	0.486		1,500	208.8		
Sarepta (SRPT.OQ)	468.7	11.91	(14.6)	0.354		0.939	165.2		
Ashford Hosp. Prime (AHP.N)	592.4	17.61	0.2	0.035		0.091	159.9		
Express Scripts (ESRX.OQ)	62,906.1	83.08	(2.1)	1.552		3,855	148.4		
Ellington Residential (EARN.N)	147.7	16.14	(10)	0.020		0.049	141.6		
Frontline Ltd. (FRO.N)	395.0	4.63	17.5	1.252		2,929	134.0		
Marriott Vacations (VAC.N)	2,654.3	76.00	0.6	0.059		0.136	130.0		
Kroger Co. (KR.N)	32,752.2	66.00	0.2	1.337		2,926	118.9		
Berry Plastics (BERY.N)	3,812.5	32.62	2.9	0.218		0.473	116.4		
AK Steel (AKS.N)	688.4	4.65	(13.9)	1.994		4,058	103.5		
Medley Management (MDLY.N)	397.5	13.55	(3.6)	0.010		0.019	101.3		
Yesterday's New 52 Week Highs				Yesterday's New 52 Week Lows					
Company Name	Mkt Cap (USDm)	12-Jan Close	YTD % Chg	Company Name	Mkt Cap (USDm)	12-Jan Close	YTD % Chg		
Teekay Tankers Ltd. (TNK.N)	560.9	6.71	33.9	AK Steel (AKS.N)	688.4	4.65	(22.1)		
Norcraft (NCFT.N)	369.1	21.32	11.9	Pierson (RYI.N)	187.5	7.40	(24.6)		
Neurocrine (NBIX.OQ)	2,198.8	29.51	32.6	Hercules Offshore (HERO.OQ)	121.8	0.76	(25.6)		
NextEra Energy Partners (NEP.N)	3,639.4	39.08	19.7	Ocean Rig UDW (ORIG.OQ)	988.0	7.49	(20.8)		
BioMarin Pharmaceutical (BMRN.OQ)	14,106.7	96.58	6.9	Magnum Hunter Resources (MHR.N)	498.3	2.68	(15.5)		
ADS Inc. (VMS.N)	1,804.2	24.63	6.7	Home Loan Servicing (HLS.S.QQ)	1,142.7	16.09	(18.9)		
SL Green Realty (SLG.N)	12,671.8	127.72	5.1	Sarepta (SRPT.OQ)	468.7	11.91	(18.0)		
QTS Realty Trust (QTSN)	1,064.2	37.03	8.1	Exterran Holdings (EXH.N)	1,955.5	29.15	(9.7)		
ISIS Pharma (ISIS.OQ)	8,632.8	73.34	18.8	Seadrill (SDRL.N)	4,517.2	9.52	(20.2)		
Bristol-Myers Squibb (BMY.N)	103,395.1	62.18	4.7	Marin Software (MRIN.N)	248.3	7.26	(13.7)		
Edwards Lifesciences (EW.N)	14,428.2	135.29	4.7	HollyFrontier (HFC.N)	6,754.1	34.21	(10.1)		
Berry Plastics (BERY.N)	3,812.5	32.62	2.7	Transocean (RIG.N)	5,610.7	15.51	(17.0)		
Genpact (G.N)	4,483.0	19.95	3.9	Terex (TEX.N)	2,767.7	23.86	(16.6)		
Boise Cascade Company (BCC.N)	-	39.14	5.1	Newfield Exploration (NFX.N)	3,102.6	22.73	(16.7)		
Health Care REIT (HCNU.N)	24,688.8	80.69	5.2	Oceaneering Int'l. (OII.N)	5,747.8	53.67	(9.2)		
Yesterday's Global Indices Performance									
Index Name	Region	12-Jan Close	Daily Pt. Chg	1 wk	3 mths	Percentage Change 6 mths	9 mths	12 mths	YTD
DOW JONES IND.AVER. (.DJI)	US	17,640.8	(96.5)	0.8	8.1	3.4	9.1	7.3	(1.9)
S & P 500 (SPSA)	US	2,028.3	(16.6)	0.4	8.2	2.6	10.8	10.1	(2.5)
NASDAQ 100 (.NDX)	US	4,170.0	(43.3)	0.2	9.5	6.1	20.0	17.0	(2.6)
MSCI WORLD INDEX (MSCIWO)	US	1,677.1	(8.6)	0.4	3.8	(4.0)	2.0	1.3	(2.5)
TSE COMP INDEX (300) (.TSE)	CANADA	14,265.0	(119.9)	(0.9)	0.3	(6.0)	(0.1)	3.8	(2.6)
EURO STOXX PRICE (.SXXE)	INDICES	315.6	3.4	2.0	5.3	(1.7)	(0.9)	(0.0)	(1.0)
F.T. INDEX 100 (.FTSE)	UK	6,501.4	0.3	1.3	2.1	(3.6)	(1.3)	(3.5)	(0.7)
ALL ORDINARIES (.AORD)	AUSTRALIA	5,359.9	(58.7)	0.1	3.7	(2.5)	0.1	1.0	(0.8)
DAX XETRA (.GDAXI)	GERMANY	9,781.9	133.4	3.3	11.0	(0.0)	4.7	3.3	(0.2)
TOPIX (.TOPX)	JAPAN	1,380.6	0.0	(1.5)	1.1	9.1	21.9	6.3	(1.9)
HANG SENG INDEX (.HSI)	HONG KONG	24,026.5	106.5	1.3	3.8	2.9	4.3	5.2	2.2
JAKARTA COMP. INDEX (.JKSE)	INDONESIA	5,187.9	(28.7)	(0.6)	5.6	3.3	6.6	21.9	(0.7)
MOSCOW TIMES INDEX(USD) (MTMU)	RUSSIA	NA	-	-	-	-	-	-	-
FTSE/JSE ALL SHARE (.JALSH)	SOUTH AFRICA	48,468.4	(482.1)	1.3	2.3	(6.0)	0.5	6.4	(2.6)
BOVESPA (.BVSP)	BRAZIL	48,139.7	(700.5)	1.3	(16.9)	(13.6)	(6.7)	(3.1)	(3.7)

Source: Deutsche Bank, Bloomberg Finance LP



Ameriprise Financial

Buy

Reuters: AMP.N Exchange: NYS Ticker: AMP

Initiating with a Buy

Price (USD)	126.38
Price target	143.00
52-week range	136.76 - 101.47
Market Cap (USDm)	24,223.3
Shares outstanding (m)	191.7
Free float (%)	100
Volume (12 Jan 2015)	221,599
S&P 500 INDEX	2,028.26

FYE 12/31	2013A	2014E	2015E
1Q EPS	1.46	2.04A	2.30
2Q EPS	1.59	2.08A	2.34
3Q EPS	1.91	2.10A	2.46
4Q EPS	1.87	2.18	2.55
FY EPS (USD)	6.82	8.40	9.65
P/E (x)	12.4	15.0	13.1

Initiating with Buy and \$143 target price

Our Buy recommendation is predicated on further re-rating and earnings growth from continued productivity and utilization improvements in wealth advisory, which is currently in-line with peer average. This improvement should continue to support strong capital deployment, with over 100% of earnings deployed through buybacks and dividends. Finally, benchmarked to life insurers, AMP is better positioned to weather a weak 10Y environment and is uniquely positioned to benefit from a Fed rate hike later this year. We initiate with above-Consensus EPS estimates of \$9.65 and \$11.35 for '15-'16.

Improvement in Advice & Wealth Management (AWM) segment

We expect a move up-market as well as hires of experienced financial advisors and attrition of poor performing advisors to continue to support productivity gains and earnings growth, boosting AWM's OPM by 300 bps, to 19% by '16. AWM's earnings should account for 37% of consolidated by '16, up from 31% currently. The improvement will lead to AWM's re-rating, and its re-rating will have a greater impact on overall results as the proportion of its earnings increases. We expect the Asset Management (AM) segment's improvement and re-rating to moderate, but believe group valuations offer support.

Expect strong capital deployment to continue

Capital deployed since 2010 amounts to 115% of operating earnings, supported by AM and AWM earnings mix shifting from 10% in '09 to 60% in '14. We expect business mix to continue to shift to these non-capital intensive businesses – mostly AWM, where FCF conversion amounts to nearly 100% of earnings. Furthermore, AMP sits on \$2.5 bil of excess capital, a portion of which will be deployed through buybacks, so we expect capital deployment to remain above 100% of earnings and boosting EPS by 3% this year.

The interest rate play in a poorly-positioned group

Life insurers should suffer from spread compression this year, with 10Y yields remaining below 2.5%. While AMP can't escape this pressure, less than 40% of its earnings come from insurance, limiting its exposure to less than 2% of earnings per 100bps move in rates. Furthermore, \$20 bil of brokerage cash assets in AWM currently yielding <20 bps will benefit from a rate hike. We assume a 25bps rate hike per quarter starting in 3Q15 and through YE16, which has a 1% and 5% positive impact on '15 & '16 results.

Valuation and risks

We use a sum-of-the-parts valuation, using a blend of forward P/E valuations relative to the market and, for the insurance operations, forward P/B as well. Risks: (1) stalling of AWM productivity gains and (2) interest rate compression.

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Oil & Gas Exploration & Production - Spinning Bits. Making Hits. DJ Basin

Company Initiations	Currency	Rating	Closing Price	Target Price	Upside to tgt (%)	Mkt Cap	Reuters Code
Bonanza Creek Energy	USD	Hold	21.17	30.00	42%	849mn	BCEI.N
PDC Energy	USD	Hold	38.34	52.00	36%	1.4bn	PDCE.OQ
Company	Currency	Rating	Closing Price	Target Price	Upside to tgt (%)	Mkt Cap	Reuters Code
RSP Permian	USD	Hold	22.92	25.00	9%	1.7bn	RSPP.N
Bill Barrett Corp.	USD	Hold	9.42	11.00	17%	452mn	BBG.N

Source: Deutsche Bank

Initiating Coverage Of BCEI and PDCE at Hold

While a "Big 3" (Permian, Eagle Ford, Bakken) can get you to the NBA Finals, you can't win the title without a strong supporting cast and for US oil supply, the DJ Basin is playing the role of the up and coming star. While we see basin challenges (infrastructure), in our view, the DJ is relatively advantaged on the cost curve. We see producers in the basin supported by strong hedge positions, competitive and improving well economics, and upcoming catalysts to increase the resource base, a key differentiator in a lower commodity environment. Additionally, with a fragmented but resource rich basin, we see industry consolidation as a potential outcome.

The Basin Track List For Success

While not of the size or scale of the Permian, the DJ Basin has a similar set up. Key similarities are the legacy nature of the basin, stacked pay, and existing infrastructure that in our view make the basin equally as attractive as the Big 3. Key to the growth to date has been the move towards horizontal drilling and the extension of the play into the Northeast oil window, transitioning the basin from ~30% oil in 2009 to ~60% in 2015. With the horizontal rig count now at 54 (up from 15 in 2011), we see volume growth continuing (albeit at a slower pace) despite lower prices due to supportive economics and declining costs.

Not A One Hit Wonder

The emergence of the Northeast extension and stacked horizontal pay (3-5 formations) has significantly increased the resource potential of the DJ Basin over past two years; however we continue to see upside from the move to long laterals, tighter spacing, and improved completions, which have become standard in the more mature oil basins. With early tests proving successful and several upcoming catalysts that should provide upside support to well economics and resource, we see this as a key differentiator for the DJ Basin and provide cushion for basin producers to survive at \$50/bbl oil. However, despite the relatively positive outlook for the basin and the stocks well below 52-week highs, we are HOLD weighted the equities on balanced risk/reward and individual concerns. PDCE is in the best position regarding balance sheet and hedge profile, although the limited inventory in the high return Inner Wattenberg (90 3P locations) remains a concern. At BCEI, we see the decline rate catching up in 2H15 at lower spend levels, which is necessary to support the balance sheet (>2x leverage), and BBG needs to execute a long-lateral program. See full details of what to look for within.

Key Challenges – Infrastructure & Regulatory

As with other basins entering the development phase of the life cycle, volume growth has to be met by infrastructure capacity additions. For the DJ Basin, the stresses are most apparent on gas production with line pressure still elevated from new horizontal wells impacting legacy vertical volumes. While we anticipate line pressure to limit growth, relief is on the way with ~750MMcfpd of new processing and compression additions through 2016. Additionally, this past year saw political challenges to the industry with ballot initiatives that could have disrupted development by putting more control in local government hands and reduce inventory with further restrictions. Although the initiatives were eventually dropped, we see the potential for these issues to arise at some point in the future.

Valuation and Risks

We value our small and mid cap E&P's at 1x NAV assuming LT prices of \$90/bbl oil and \$5/mmbtu natural gas. Key risks include growing infrastructure constraints, particularly natural gas, and regulatory issues that could slow development and/or reduce inventory.

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Airlines - Positioning When will stocks discount record forecasts? for 2015

Company	Currency	Rating		Closing Price	Target Price		Upside to tgt (%)	Mkt Cap	Reuters Code
		Old	New		Old	New			
Alaska Air Group, Inc.	USD	Sell	Hold	60.61	53.00	65.00	7%	8.2bn	ALK.N
Southwest Airlines Co.	USD	Buy	-	40.25	55.00	-	37%	28bn	LUV.N
JetBlue Airways Corp.	USD	Buy	-	14.55	21.00	-	44%	4.3bn	JBLU.OQ
United Continental	USD	Buy	-	65.92	80.00	-	21%	24bn	UAL.N
Delta Air Lines, Inc.	USD	Buy	-	46.06	60.00	-	30%	39bn	DAL.N
American Airlines Group	USD	Buy	-	49.58	67.00	-	35%	36bn	AAL.OQ

Source: Deutsche Bank

2015 industry pretax up 47% driven by lower fuel; what will engage investors?

We are projecting a 47% increase in industry pretax profit to \$20.7 billion for 2015. While our forecast calls for a modest 2% increase in top-line, roughly 80% of the earnings gain is driven by lower fuel prices. As fuel prices plummeted and earnings forecasts were revised higher, airline multiples have contracted as investors are less willing to pay for cost-reduction earnings growth. How to engage investors? Airline management need to reiterate their financial objectives: capacity/CAPEX discipline and margin/ROIC-focus while expressing a willingness to share "windfall" profits with stakeholders.

Closing out 2014 with a record December quarter

We see US airlines heading into 2015 with very strong earnings momentum following an anticipated record 2014 December quarter. We are projecting a December quarter industry (which we define as the six A4A air carriers) operating profit of \$4.2 billion (up 62%) and a pretax profit of \$3.4 billion (up 80%). Industry operating and pretax margins are estimated to expand 4.2 points and 4.0 points, respectively, to 11.5% and 9.3%. While bottom-line results are very strong, lower fuel expense is estimated to account for 85% of the improvement.

Anticipating strong earnings results for 2015 and 2016

The 47% y-o-y increase in our 2015 pretax profit forecast of \$20.7 billion is primarily a function of lower fuel prices and interest expense and modest non-fuel cost increases (and a PRASM forecast of -1%). The underlying margin expansion is significant: 3.4 points to 14.5% for operating margin and 4.0 points to 13.3% for pretax margin. We are also introducing our 2016 industry forecast which calls for a more modest 7% gain in pretax profit to \$22.1 billion.

Major airline stocks have de-rated; we like airlines most exposed to domestic

As a group, major airlines have de-rated approximately two multiple points from a year ago and are now trading at 10.7x our fully-taxed 2015 EPS and 10.0x our fully-taxed 2016 EPS estimates. We think investors are most concerned about exposure to int'l markets which account for about 35% - 40% of the Big 3's sales. In that regard, we are estimating a 5% decline in int'l PRASM for 2015 compared to a 2% gain in domestic PRASM. As such, we favor names most exposed to domestic markets. Our favorite domestic large cap stock is Southwest (LUV); our favorite domestic small cap is JetBlue (JBLU). However, we also continue to like major airline stocks given their attractive valuations and their material operating leverage to lower fuel prices (we are using a base jet fuel price of \$2.20/gallon for 2015; spot prices are currently trading ~\$1.50). Our order of preference is UAL, DAL and AAL.

We are upgrading Alaska (ALK) shares from Sell to Hold

Following a 2-standard deviation move in jet fuel, it makes no sense to have a Sell rating on Alaska, which, also happens to be one of the best run airlines. Alaska has done a superb job in defending its Seattle hub and we believe that it will continue to be an industry leader in returning capital to shareholders.

Key risk factor

A key risk for the industry is fuel price volatility; every \$1/bbl move in jet fuel prices impacts industry pretax profits by \$400 million. Oversupply is another major risk factor.

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Hexcel Corporation

Buy

Reuters: HXL.N

Exchange: NYS

Ticker: HXL

Investor Day Wrap-up; '14/'15 as expected but cash upside through '19

Price (USD)	40.38
Price Target	48.00
52-week range	46.40 - 36.92
Market cap (USD)	3,989.5
Shares outstanding (m)	98.8
Volume (12 Jan 2015)	113,993
S&P 500 INDEX	2,028.26
Free float (%)	100

FYE 12/31	2013A	2014E	2015E
1Q EPS	0.43	0.50A	-
2Q EPS	0.48	0.55A	-
3Q EPS	0.48	0.57A	-
4Q EPS	0.46	0.54	-
FY EPS (USD))	1.84	2.16	2.36
P/E (x)	18.9	18.7	17.1

Impressive facility shows off the fruits of HXL's labor

Management swung open the gates at their Salt Lake City composite facility in an effort to bring investors into the fold on how the investments the company has been making in capex are coming along. The tour was impressive in both what has been done and what the company still plans to accomplish (company will double both its fiber and prepreg capacity by 2020). The company's operating leverage target was also nicely raised from 23% to 25% over the next 5 years, which helps the company drive a mid-teens EPS CAGR on organic growth and cash generation without making a dent on the balance sheet. Maintain Buy given upside to PT.

2014/2015 in-line, consensus a bit high

Following today's plant tour, HXL gave investors a quick preview of Q4 and '14 results and initial '15 guidance. 2014 results were in line with our thinking on sales of \$1.855B and EPS of \$2.16. The 2015 guidance was also in line with our estimates; however, as we had previewed, a bit shy of the Street. 2015 sales of \$1.9-\$2.0B and EPS of \$2.26-\$2.38 compared to consensus of \$2B and EPS of \$2.42. Importantly, the company initiated its first dividend in 12 years as they will pay 10c a quarter (~1% yield). More importantly, we believe investors should be focused on the accelerating growth through '17 (a scarcity in industrials) and the company's confidence in medium term free cash generation (\$1B '15-'19).

5 year plan update provides runway to mid-teen EPS growth through 2020

The company maintained a previously issued 2017 sales target of \$2.5B and initiated new targets for 2020. Revenue for 2020 is targeted at \$3B (8% CAGR from 2015) with Aero delivering 8-12% CAGR, Space & Defense MSD, and Industrial also up 8-12%. EPS is targeted at \$4.50, a solid 14% CAGR from 2015 guidance.

Valuation and Risks

We reiterate our Buy on HXL and our price target of \$48, which reflects 18X our 2016 EPS and is in-line with the company's trading average. Risks to the downside include production rate reductions, new product development challenges, weaker than expected cash flow and faster-than-expected declines in the military portfolio.

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Appendix 1

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Equity rating key

Buy: Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

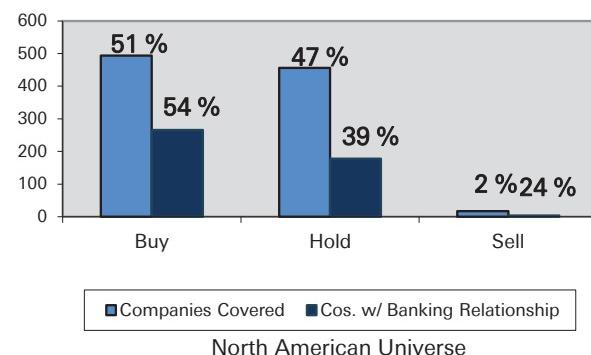
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Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

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Equity rating dispersion and banking relationships





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